

**EARTH DAY NETWORK, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2016



**EARTH DAY NETWORK, INC.**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Earth Day Network, Inc.

We have audited the accompanying financial statements of Earth Day Network, Inc. (EDN), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional revenues and expenses, and cash flows for the year ended December 31, 2016, and the related notes to the financial statements.

### **Management's Responsibility**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Earth Day Network, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the year ended December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the 2015 financial statements of Earth Day Network, Inc., and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 13, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Calibre CPA Group, PLLC*

Bethesda, MD  
October 4, 2017

**EARTH DAY NETWORK, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2016 AND 2015

|   | 2016       | 2015       |
|---|------------|------------|
| ASSETS  |            |            |
| CURRENT ASSETS  |            |            |
| Cash and cash equivalents   | \$ 303,374 | \$ 865,775 |
| Investments   | 13,882     | 2,533      |
| Other receivables   | -          | 2,450      |
| Prepaid expenses  | 2,752      | 22,628     |
| Total current assets  | 320,008    | 893,386    |
| PROPERTY AND EQUIPMENT - AT COST,<br>net of accumulated depreciation of \$139,182 and \$134,645 | 7,885      | 5,461      |
| OTHER ASSETS  |            |            |
| Deposits  | 10,506     | 10,506     |
| Total assets  | \$ 338,399 | \$ 909,353 |
| LIABILITIES AND NET ASSETS  |            |            |
| CURRENT LIABILITIES   |            |            |
| Accounts payable accrued expenses   | \$ 31,264  | \$ 74,920  |
| Pension withholding payable   | 1,699      | 6,497      |
| Subtenant security deposit  | -          | 2,000      |
| Total current liabilities   | 32,963     | 83,417     |
| NET ASSETS  |            |            |
| Unrestricted  | 276,727    | 672,013    |
| Temporarily restricted  | 28,709     | 153,923    |
| Total net assets  | 305,436    | 825,936    |
| Total liabilities and net assets  | \$ 338,399 | \$ 909,353 |

See accompanying notes to financial statements.

# EARTH DAY NETWORK, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2015)

|   | 2016         |                           |            | 2015<br>Total |
|---|--------------|---------------------------|------------|---------------|
|   | Unrestricted | Temporarily<br>Restricted | Total      |               |
| <b>REVENUE</b>                              |              |                           |            |               |
| Contributions                               |              |                           |            |               |
| Foundations and trusts                      | \$ 53,614    | \$ 583,064                | \$ 636,678 | \$ 1,494,190  |
| Individuals and other                       | 265,656      | 361,809                   | 627,465    | 1,993,663     |
| Grants                                      | -            | 4,928                     | 4,928      | 22,452        |
| Earth share                                 | 1,998        | -                         | 1,998      | 1,723         |
| Investment income                           | 641          | -                         | 641        | 93            |
| Rental income                               | 29,900       | -                         | 29,900     | 54,650        |
| Currency exchange loss                      | (196)        | -                         | (196)      | (4)           |
| Miscellaneous                               | 89,678       | -                         | 89,678     | 9,339         |
|   | 441,291      | 949,801                   | 1,391,092  | 3,576,106     |
| <b>Total revenue</b>                        |              |                           |            |               |
|   | 441,291      | 949,801                   | 1,391,092  | 3,576,106     |
| <b>NET ASSETS RELEASED FROM RESTRICTION</b> | 995,314      | (995,314)                 | -          | -             |
|   | 995,314      | (995,314)                 | -          | -             |
| <b>Total revenues and other support</b>     | 1,436,605    | (45,513)                  | 1,391,092  | 3,576,106     |
|   | 1,436,605    | (45,513)                  | 1,391,092  | 3,576,106     |
| <b>EXPENSES</b>                             |              |                           |            |               |
| Program services                            | 1,444,994    | -                         | 1,444,994  | 2,344,058     |
| Management and general                      | 378,285      | -                         | 378,285    | 402,186       |
| Fund raising                                | 88,313       | -                         | 88,313     | 157,849       |
|   | 1,911,592    | -                         | 1,911,592  | 2,904,093     |
| <b>Total expenses</b>                       |              |                           |            |               |
|   | 1,911,592    | -                         | 1,911,592  | 2,904,093     |
| <b>CHANGE IN NET ASSETS</b>                 | (474,987)    | (45,513)                  | (520,500)  | 672,013       |
|   | (474,987)    | (45,513)                  | (520,500)  | 672,013       |
| <b>NET ASSETS</b>                           |              |                           |            |               |
| Beginning of year                           | 751,714      | 74,222                    | 825,936    | 153,923       |
|   | 751,714      | 74,222                    | 825,936    | 153,923       |
| End of year                                 | \$ 276,727   | \$ 28,709                 | \$ 305,436 | \$ 825,936    |
|   | \$ 276,727   | \$ 28,709                 | \$ 305,436 | \$ 825,936    |

See accompanying notes to financial statements.

## EARTH DAY NETWORK, INC.

### STATEMENT OF FUNCTIONAL REVENUES AND EXPENSES

YEAR ENDED DECEMBER 31, 2016

(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2015)

|  | 2016                |                           |                    |                     | 2015<br>Total     |
|--|---------------------|---------------------------|--------------------|---------------------|-------------------|
|  | Programs            | Management<br>and General | Fund Raising       | Total               |                   |
| <b>REVENUE</b>   |                     |                           |                    |                     |                   |
| Contributions  |                     |                           |                    |                     |                   |
| Foundations and trusts                                   | \$ 583,064          | \$ 53,614                 | \$ -               | \$ 636,678          | \$ 1,494,190      |
| Individuals and other                                    | 362,511             | 264,954                   | -                  | 627,465             | 1,993,663         |
| Grants   | 4,928               | -                         | -                  | 4,928               | 22,452            |
| Earth share  | -                   | 1,998                     | -                  | 1,998               | 1,723             |
| Investment income  | -                   | 641                       | -                  | 641                 | 93                |
| Rental income  | -                   | 29,900                    | -                  | 29,900              | 54,650            |
| Currency exchange loss                                   | (12)                | (184)                     | -                  | (196)               | (4)               |
| Miscellaneous  | (18,000)            | 107,678                   | -                  | 89,678              | 9,339             |
| Total revenue  | <u>932,491</u>      | <u>458,601</u>            | <u>-</u>           | <u>1,391,092</u>    | <u>3,576,106</u>  |
| <b>EXPENSES</b>  |                     |                           |                    |                     |                   |
| Communications and advertising                           | 865                 | 2,189                     | -                  | 3,054               | 73,544            |
| Computer and internet                                    | 27,375              | (7,206)                   | -                  | 20,169              | 26,297            |
| Consulting and contract labor                            | 97,201              | 68,252                    | 30,000             | 195,453             | 223,249           |
| Depreciation   | -                   | 4,537                     | -                  | 4,537               | 6,255             |
| Dues and subscriptions                                   | (1,874)             | 9,231                     | -                  | 7,357               | 4,852             |
| Equipment rental   | 300                 | 3,899                     | -                  | 4,199               | 5,469             |
| Events and registration                                  | -                   | -                         | 20,000             | 20,000              | -                 |
| Interest and bank fees                                   | -                   | 1,461                     | -                  | 1,461               | 2,568             |
| Insurance  | 338                 | 10,459                    | -                  | 10,797              | 25,282            |
| Legal and professional fees                              | -                   | 56,683                    | 6,587              | 63,270              | 74,582            |
| Licenses, fees and permits                               | 2,482               | 3,484                     | 2,451              | 8,417               | 19,823            |
| Meeting expense  | -                   | 1,496                     | -                  | 1,496               | 69                |
| Office supplies and expense                              | (3,848)             | 9,647                     | -                  | 5,799               | 17,271            |
| Other expenses   | 5,935               | (78)                      | -                  | 5,857               | 20,288            |
| Payroll taxes and benefits                               | 95,253              | 15,294                    | -                  | 110,547             | 93,173            |
| Pension expense  | 10,936              | 4,134                     | -                  | 15,070              | 15,655            |
| Postage and delivery                                     | 495                 | 1,720                     | -                  | 2,215               | 2,164             |
| Printing and reproduction                                | 483                 | 2,069                     | 319                | 2,871               | 4,991             |
| Program expenses   | 203,632             | 8,331                     | -                  | 211,963             | 934,351           |
| Rent   | 139,218             | 24,314                    | -                  | 163,532             | 153,583           |
| Salaries and wages                                       | 729,475             | 132,487                   | -                  | 861,962             | 746,432           |
| Sponsorships   | 42,000              | -                         | -                  | 42,000              | 216,824           |
| Telephone  | 7,150               | 1,380                     | 83                 | 8,613               | 11,531            |
| Travel and entertainment                                 | 76,800              | 21,046                    | 373                | 98,219              | 184,858           |
| Web hosting and marketing                                | 10,778              | 3,456                     | 28,500             | 42,734              | 40,982            |
| Total expenses   | <u>1,444,994</u>    | <u>378,285</u>            | <u>88,313</u>      | <u>1,911,592</u>    | <u>2,904,093</u>  |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENSES</b> |                     |                           |                    |                     |                   |
|  | <u>\$ (512,503)</u> | <u>\$ 80,316</u>          | <u>\$ (88,313)</u> | <u>\$ (520,500)</u> | <u>\$ 672,013</u> |

See accompanying notes to financial statements.

**EARTH DAY NETWORK, INC.**

**STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2016

(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)

|   | 2016         | 2015         |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |              |              |
| Contributions and grants received   | \$ 1,258,271 | \$ 3,538,264 |
| Investment income received  | 151          | 101          |
| Other operating receipts  | 121,830      | 65,958       |
| Payments to vendors, suppliers and employees  | (1,935,633)  | (2,861,643)  |
| Net cash provided by (used for) operating activities  | (555,381)    | 742,680      |
| CASH FLOWS FROM INVESTING ACTIVITIES  |              |              |
| Purchases of property and equipment   | (6,961)      | -            |
| Purchases of investments  | (59)         | -            |
| Net cash used for investing activities  | (7,020)      | -            |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS  | (562,401)    | 742,680      |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR  | 865,775      | 123,095      |
| CASH AND CASH EQUIVALENTS AT END OF YEAR  | \$ 303,374   | \$ 865,775   |
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH<br>PROVIDED BY (USED FOR) OPERATING ACTIVITIES |              |              |
| Change in net assets  | \$ (520,500) | \$ 672,013   |
| Adjustments   |              |              |
| Donated securities received   | (10,800)     | (2,041)      |
| Net (appreciation) depreciation in investments  | (490)        | 8            |
| Depreciation and amortization   | 4,537        | 6,255        |
| (Increase) decrease in assets   |              |              |
| Contributions receivable  | -            | 30,000       |
| Other receivables   | 2,450        | 250          |
| Advances  | -            | 5,018        |
| Prepaid expenses  | 19,876       | (6,791)      |
| Increase (decrease) in liabilities  |              |              |
| Accounts payable and accrued expenses   | (43,656)     | 36,467       |
| Pension withholding payable   | (4,798)      | 1,501        |
| Subtenant security deposit  | (2,000)      | -            |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES  | \$ (555,381) | \$ 742,680   |

See accompanying notes to financial statements.



**EARTH DAY NETWORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Earth Day Network, Inc. (EDN), a New York not-for-profit organization with an office in Washington, D.C., was formed in November 1994 for the purpose of educating the public and developing and promoting ways to inspire individuals and groups to protect and take care of the environment. To this end, EDN's mission is to support a vital, decentralized, action-oriented network of sustainable organizations creating clean, healthy, prosperous environments and communities. EDN's primary activity during the past few years involved dealing with K - 12 education, capacity building and health and the environment.

EDN has adopted the following significant accounting policies:

**Basis of Accounting** - The financial statements of EDN have been prepared on the accrual basis of accounting.

**Support and Revenue** - Contributions are recorded when received or when unconditionally promised and are classified as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional. EDN had no conditional promises receivable at December 31, 2016 and 2015.

**Donated Services** - Volunteers have donated significant amounts of their time assisting in the operation and administration of EDN. The value of these services is not reported in the accompanying financial statements, in accordance with U.S. generally accepted accounting principles related to contributed services.

**Equipment** - Equipment is comprised of computers, software and telephones and is stated at cost. Depreciation is computed on a straight line basis over the estimated useful lives of the assets (three years for software and five years for computers and telephones).

**Cash and Cash Equivalents** - EDN considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents, except those held as part of EDN's investment portfolio.

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

EDN maintains its cash in bank deposit accounts which at times may exceed the federally insured limit. At December 31, 2016, EDN had cash balances on deposit at financial institutions that exceeded the balance insured by the Federal Deposit Insurance Corporation (FDIC) by approximately \$25,000.

**Investments** - Investments in debt securities and in equity securities having readily determinable fair values are carried at fair value in the statements of financial position. Realized gains (losses) on securities sold during the year and unrealized gains (losses) on securities held at year-end are included in investment income.

**Expenses** - The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities and the statement of functional revenues and expenses. Certain costs have been allocated among the program and supporting services benefited.

**Income Taxes** - EDN is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. EDN has been classified as an organization that is not a private foundation under Section 509(a)(1). EDN's Federal Forms 990, *Return of Organization Exempt from Income Tax*, for years ended December 31, 2013 through 2015, are subject to examination by the Internal Revenue Service (IRS), generally for a period of three years after they were filed.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Comparative Amounts for 2015** - The comparative totals and amounts reported in the statements of activities, functional revenues and expenses, and cash flows for the year ended December 31, 2015 are not intended to represent a complete financial statement presentation.

**NOTE 2. INVESTMENTS**

The fair value of investments as of December 31, 2016 and 2015 is as follows:

|                             | <u>2016</u>      | <u>2015</u>     |
|-----------------------------|------------------|-----------------|
| Cash and money market funds | \$ 559           | \$ 500          |
| Equity securities           | <u>13,323</u>    | <u>2,033</u>    |
|                             | <u>\$ 13,882</u> | <u>\$ 2,533</u> |

**NOTE 2. INVESTMENTS (CONTINUED)**

The components of investment income for the years ended December 31, 2016 and 2015 are as follows:

|                           | <u>2016</u>   | <u>2015</u>  |
|---------------------------|---------------|--------------|
| Interest and dividends    | \$ 151        | \$ 101       |
| Unrealized gains (losses) | <u>490</u>    | <u>(8)</u>   |
|                           | <u>\$ 641</u> | <u>\$ 93</u> |

EDN uses generally accepted accounting standards related to Fair Value Measurements, for assets and liabilities measured at fair value on a recurring basis. These standards require quantitative disclosures about fair value measurements separately for each major category of assets and liabilities, clarify the definition of fair value for financial reporting, establish a hierarchical disclosure framework for measuring fair value, and require additional disclosures about the use of fair value measurements. The three levels of the fair value hierarchy and their applicability to EDN's investments are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

Level 3 – Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability.

Fair values of all of EDN's investments are based on Level 1 inputs. Mutual funds are valued at closing market prices on the last day of the year.

**NOTE 3. PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2016 and 2015 consists of the following:

|                                | <u>2016</u>      | <u>2015</u>      |
|--------------------------------|------------------|------------------|
| Furniture and fixtures         | \$ 56,406        | \$ 56,406        |
| Computers and software         | <u>90,661</u>    | <u>83,700</u>    |
|                                | 147,067          | 140,106          |
| Less: accumulated depreciation | <u>(139,182)</u> | <u>(134,645)</u> |
| Total property and equipment   | <u>\$ 7,885</u>  | <u>\$ 5,461</u>  |

**NOTE 4. RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets at December 31, 2016 and 2015 were as follows:

|                                   | <u>2016</u>      | <u>2015</u>      |
|-----------------------------------|------------------|------------------|
| Tree Program                      | \$ -             | \$ 14,022        |
| Gala 2015/2016                    | -                | 50,000           |
| Green Schools                     | 28,709           | -                |
| In-kind travel unused at year-end | <u>-</u>         | <u>10,200</u>    |
|                                   | <u>\$ 28,709</u> | <u>\$ 74,222</u> |

**NOTE 5. EMPLOYEE RETIREMENT PLAN**

EDN has a Simple IRA salary reduction plan for its employees whereby EDN matches allowable contributions by eligible employees up to a maximum of 3% of eligible compensation. The matching contributions totaled \$15,070 and \$15,655 for 2016 and 2015, respectively.

**NOTE 7. OPERATING LEASES**

On December 31, 2004, EDN entered into a five-year lease for office space commencing January 1, 2005, that was renewed and extended through December 31, 2014. In late 2014, EDN's operating lease agreement was extended for an additional five years through December 31, 2019. Base monthly rent beginning January 1, 2015 is \$13,313, and is subject to annual adjustment for EDN's share of increases in real estate taxes and operating expenses. In addition, the lease agreement requires a security deposit of \$10,506. EDN has agreements in place to sublease a portion of this space on a month-to-month basis with unrelated subtenants. Total rental revenue related to subleases was \$29,900 during 2016.

Future minimum lease payments as of December 31, 2016, unreduced for any sublease payments, are due as follows:

|                               |           |
|-------------------------------|-----------|
| Year ending December 31, 2017 | \$159,757 |
| 2018                          | 159,757   |
| 2019                          | 159,757   |

**NOTE 8. SUBSEQUENT EVENTS REVIEW**

Subsequent events have been evaluated through October 4, 2017, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.